

ANNEX OF COMPLIANCE MEASURES

Orbit/FR, Inc. ("Orbit/FR") and its parent Orbit-Alchut Technologies, Ltd. ("Orbit-Alchut"), reflecting their commitment to conduct the business of Orbit/FR and its affiliates (i.e., entities controlling, controlled by or under common control with Orbit/FR, including Orbit-Alchut, the direct and indirect subsidiaries of Orbit/FR and the non-Orbit/FR direct and indirect subsidiaries of Orbit-Alchut) in full compliance with the Arms Export Control Act ("Act" or "AECA") and the International Traffic in Arms Regulations ("Regulations" or "ITAR"), and in order to ensure, in particular, that there is no unauthorized use, export, re-export, transfer or re-transfer of U.S.-origin defense articles (including technical data) or defense services (including any technical assistance whatsoever), agree to implement the following remedial measures and such additional measures as may be mutually agreed upon by Orbit/FR, Orbit-Alchut, the Special Compliance Official and the Director, Office of Defense Trade Controls Compliance ("DTCC"). These measures apply for a period of three (3) years, except where otherwise noted.

Appointment of a Special Compliance Official

(1) The President & CEO of Orbit/FR shall, with the concurrence of the Director, DTCC, appoint a qualified individual from outside of Orbit/FR and its affiliates, to serve as a Special Compliance Official ("SCO") for an initial term of two (2) years to be succeeded by an individual from inside Orbit/FR who will serve for an additional one (1) year, in both instances reporting to Orbit/FR's President & CEO, the Director of Compliance and Board of Directors and to the Director, DDTC as set forth herein.

(2) The outside SCO shall not have been employed in any prior capacity by or previously represented Orbit/FR or any of its affiliates, past or present, and, as a condition of appointment as SCO, shall agree to forsake for all time any such future employment or representation. The appointment shall be made within thirty (30) days of the signing of the accompanying Order and, unless agreed to by the parties to this settlement prior to or at the time of settlement, the appointment shall be subject to the written approval of the Director, DTCC.

(3) The SCO shall have three principal areas of responsibility regarding the future conduct of Orbit/FR:

- (a) Strengthening the export compliance program of Orbit/FR and its subsidiaries with primary attention to enhancing corporate oversight and compliance infrastructure of Orbit/FR (including those business units associated with the violations alleged in the draft Charging Letter), as well as the direct or indirect U.S. subsidiaries of Orbit-Alchut whose registrations under the ITAR have been consolidated under that of Orbit/FR, and to improving written policies and procedures for AECA/ITAR-regulated activities carried out by Orbit/FR and its affiliates;
- (b) Overseeing the audit referred to in paragraph 8 below and ensuring that Orbit/FR and its affiliates perform their responsibilities in a timely and satisfactory manner as required by this Agreement and the accompanying Order; and
- (c) Monitoring all AECA/ITAR-regulated activities of Orbit/FR and its affiliates for the period covered by this Consent Agreement.

Both Orbit/FR and Orbit-Alchut acknowledge and accept their obligation to ensure that they have and continue to maintain effective export control oversight, infrastructure, policies and procedures for the AECA/ITAR-regulated activities of Orbit/FR and its affiliates. To this end, Orbit/FR and Orbit Alchut undertake to ensure that there will be appropriate cooperation and coordination between and among the President & CEO, the Director of Compliance of Orbit/FR, the SCO and senior officials of Orbit-Alchut and all other Orbit/FR affiliates.

The SCO may also be requested to perform additional export oversight, monitoring and coordination activities as agreed by Orbit/FR's President & CEO and the Director, DTCC.

In fulfilling the responsibilities set forth in this Consent Agreement, the SCO may at his/her sole discretion present any disagreement with Orbit/FR's employees or management involved in export regulated activities directly to any or all of Orbit/FR's President & CEO and Board of Directors or the Director, DTCC.

(4) The Board of Directors of Orbit/FR shall consent to the following terms and conditions regarding the power, duties, authorities, and responsibilities of the SCO and receive reports on SCO findings and recommendations:

(a) The SCO shall have the power and authority to monitor compliance by Orbit/FR (including its affiliates) with the terms of this Consent Agreement and accompanying Order and shall exercise such power and authority and carry out the duties and responsibilities of the SCO as set forth herein in a manner consistent with this Consent Agreement, the accompanying Order, the specific terms and conditions of munitions licenses and other authorizations within the scope of paragraph 3 above with respect to which Orbit/FR or any subsidiary or other business unit or affiliate is an applicant, end-user or otherwise involved other activities subject to the Regulations and the Act, and shall do so in consultation with the Office of DTCC.

(b) Within fifteen (15) days of the appointment of the SCO, Orbit/FR shall confer on this individual all rights and powers necessary to permit the SCO to monitor, oversee and promote Orbit/FR's compliance with the terms of this Agreement in a manner consistent with the purposes of this Agreement and the Order, and the specific terms and conditions of pertinent (i.e., covered by paragraph 3 above) munitions license authorizations and other activities subject to the Act and the Regulations. Such rights and powers shall be conferred in writing; they shall be made in writing and made known throughout Orbit/FR and its affiliates; and a certified copy of the resolution of the Board of Directors shall be deposited with the Office of DTCC by the forty-sixth (46th) day after the signing of the Order.

(c) The outside SCO shall serve for a two (2) year period from the date of his or her appointment. If for any reason the appointed SCO is unable to serve the full period of his/her appointment, the President & CEO of Orbit/FR may recommend a successor acceptable to the Director, DTCC, the latter's agreement to the replacement to be confirmed and provided in writing. Such a recommendation shall be made at least thirty (30) days in advance of a new appointment. If the SCO for any reason is unable to carry

out the responsibilities described herein on a temporary basis (i.e., not to exceed thirty (30) days), then the Director of Compliance of Orbit/FR shall assume the power and authority of SCO in the interim. The conferring of rights and powers described in subparagraph (b) above shall make provision for this event. Within twenty-one (21) months of appointment, the SCO, after consultations with Orbit/FR's President & CEO and Director of Compliance shall recommend a successor SCO acceptable to Orbit/FR and the Director, DTCC, who shall serve for the remaining one (1) year period, the latter's agreement to the replacement to be confirmed and provided in writing. The successor SCO shall be an employee of Orbit/FR and capable of performing the responsibilities of the SCO, including all authorities applicable to the outside SCO. The term of an SCO may not be extended without written approval of the Director, DTCC. The Director, DTCC shall have the authority to recommend removal of the SCO in the event the Department determine the SCO is not fulfilling the responsibilities of the SCO position in a satisfactory manner.

- (d) The SCO shall have full and complete access to Orbit/FR's and its affiliates' personnel, books, records, documents, facilities and technical information relating to compliance with this Consent Agreement, Order, including pertinent munitions authorizations, licenses, guidance and the like relating to the use, export and re-export, transfer, re-transfer of defense articles and defense services associated with Orbit/FR's business and that of its affiliates.
- (e) Orbit/FR and its affiliates shall cooperate with any reasonable request of the SCO, including any request for assistance to obtain any necessary security clearances, and shall take no action to interfere with or impede the SCO's ability to monitor Orbit/FR's compliance with this Agreement, the Act and the Regulations or to carry out his/her other responsibilities set forth in this Agreement.
- (f) The SCO, with Orbit/FR's consent, which shall not be unreasonably withheld, and subject to the written approval of the Director, DTCC, shall have the authority to employ, at the expense of Orbit/FR, such assistants and other professional staff as are reasonably necessary to carry out the SCO's duties and

responsibilities in connection with this Consent Agreement and Order. Such expenses, including salaries and expenses of the SCO, may be counted toward the penalty for remedial measures described in paragraph 3(B) of the Consent Agreement.

(g) The Office of DTCC may, on its own initiative or at the request of the SCO, issue such guidance as may be necessary or appropriate to ensure compliance with the Act and the Regulations and the terms and conditions of licenses and other authorizations DTCC has provided to Orbit/FR. Upon a showing of good cause by the SCO and the President & CEO of Orbit/FR, the Director of DTCC may grant an extension of time to ensure full implementation of the compliance measures specified herein. The SCO and the President of Orbit/FR may request relief from other provisions of the Consent Agreement by submitting such a request, including justification and supporting documentation, to the Director, DTCC.

(h) The SCO shall provide reports to the President & CEO, the Director of Compliance and Board of Directors of Orbit/FR, Inc., as well as to the Director, DTCC, concerning Orbit/FR's and its affiliates' compliance with this Agreement and Order, including pertinent (i.e., covered by paragraph 3 above) U.S. Government munitions licenses and authorizations, guidance and the like then in force pertaining to Orbit/FR's and its affiliates' activities regulated by the Act and the Regulations. These reports shall include conclusions and any recommendations necessary to ensure compliance with the Act and Regulations and the Consent Agreement, including the Annex of Compliance Measures, and shall specifically address compliance with paragraph 10 of the Agreement; state whether the SCO has encountered any difficulties in exercising the duties and responsibilities assigned herein; describe any and all instances of non-compliance without waiving Orbit/FR's ability to submit voluntary disclosures; and advise on progress in implementing previous recommendations advanced by the SCO. These reports may, in a separate annex, also include any relevant comments or input by Orbit/FR's President & CEO and the Director of Compliance. The reports shall be provided:

- Every sixty (60) days for a period of six months from the date of the signing of the Order; and

- Every ninety (90) days thereafter during the remainder of the SCO's period of appointment.

To further the objectives of this paragraph and the Consent Agreement generally, Orbit-Alchut undertakes that it and its non-Orbit/FR subsidiaries will cooperate with the SCO, including by complying with requests made by the SCO for documents and other information necessary to carry out the SCO's responsibilities. To this end, Orbit-Alchut shall provide an appropriate written authorization and directive to its non-Orbit/FR direct and indirect subsidiaries, a copy of which shall be deposited with the Office of DTCC by the forty-sixth (46th) day after the signing of the Order.

Strengthened Compliance Policies, Procedures, Training

- (5) Within 120 days of the signing of the Order, Orbit/FR shall have reviewed and instituted strengthened export compliance policies, procedures and training focusing primarily on Orbit/FR, its direct and indirect subsidiaries, and the U.S. subsidiaries of Orbit-Alchut whose registrations under the ITAR will be consolidated under that of Orbit/FR. Within the same time period, Orbit-Alchut shall also have reviewed and instituted strengthened export compliance procedures and training appropriate to itself and its non-Orbit/FR direct and indirect subsidiaries whose registrations under the ITAR will not be consolidated under that of Orbit/FR (which shall be primarily responsible for their compliance with the AECA and ITAR and the provisions of the Consent Agreement). Orbit/FR shall ensure that by the 120th day:
 - (a) All employees involved in AECA/ITAR-regulated activities of Orbit/FR and its affiliates are familiar with the AECA and ITAR, Orbit/FR policies and procedures for compliance with the AECA/ITAR, and their and Orbit/FR's and its affiliates' responsibilities under the AECA/ITAR;
 - (b) All persons responsible for supervising those employees and all officers and other senior managers of Orbit/FR and its affiliates are knowledgeable about the underlying policies and principles of the AECA and the ITAR and Orbit/FR, Inc.'s policies and procedures;

- (c) There are records maintained of the names of the employees and other personnel trained, the trainers, and area of training received (e.g., determination of what is a U.S.-origin defense article, including technical data, and U.S.-furnished defense service, the applicability of AECA/ITAR requirements to Israeli defense articles incorporating or produced from U.S. defense articles, including technical data, and defense services) and copies of training materials used.

Compliance policies, procedures and training will ensure that "defense services" and defense articles will be treated consistent with the definitions of those terms and requirements for approvals in the Regulations, as provided in paragraph 5 of the Consent Agreement. To this end, U.S. and foreign product and service lines shall be reviewed within the 120-day period referred to above to determine or confirm which are defense articles or defense services; thereafter, any new products and services shall be reviewed as developed; Commodity Jurisdiction determinations with respect to U.S. product or service lines under Section 120.4 of the Regulations and shall be requested in appropriate circumstances, e.g., to clarify uncertain regulatory status (for the purposes of paragraph 11 of the Annex, requests as to whether foreign products or services are defense articles or defense services, shall be submitted to the Office of DTCC).

Legal Oversight

- (6) Within thirty (30) days of signing the Order, Orbit/FR shall establish measures such that Orbit/FR's President & CEO and/or Director of Compliance, with the assistance of legal counsel, will provide oversight and support to Orbit/FR and its affiliates for all matters involving compliance with export control laws and regulations, including the Act and the Regulations. These measures shall be structured to achieve consistent application of the Act and Regulations by Orbit/FR and its affiliates. The President & CEO and/or the Director of Compliance, with the assistance of legal counsel, shall consider and implement those improvements in the compliance program for Orbit/FR and its affiliates recommended by the SCO. In addition, the SCO and the President & CEO and/or Director of Compliance, with the assistance of legal counsel, shall also have the opportunity for input in performance reviews of the appropriate personnel responsible for compliance with the Act and Regulations.

Hotline for AECA and ITAR

(7) Within thirty (30) days of the signing of the Order, Orbit/FR shall publicize the availability of an Ethics Hotline for reporting possible violations of export control laws and regulations, including the AECA and the ITAR, to enable personnel of Orbit/FR and its affiliates to readily report via this channel, without fear of recrimination or retaliation. Hotline calls about export matters will be directed to the SCO and the Director of Compliance. Based on consultations with Orbit/FR's President & CEO and legal counsel, the Director of Compliance or the President will be responsible for responding to such calls. Orbit/FR's Director of Compliance shall also advise the President & CEO of Orbit-Alchut, or his designated representative, of any Ethics Hotline calls involving Orbit-Alchut, including any of non-Orbit direct or indirect subsidiaries. In such circumstances, the President & CEO of Orbit-Alchut shall have the opportunity to participate in the consultation described above in prepare the response to such calls. The SCO shall prepare a quarterly report assessing the effectiveness of the hotline system. A copy of the report shall be provided to the President and Director of Compliance of Orbit/FR and to the Director, DTCC. This written report shall contain sufficient detail such that the Department may, consistent with its responsibilities under the law and regulations, form an opinion about the seriousness of any alleged violations, without disclosing employee confidentiality.

Audit

(8) No later than twelve (12) months after the signing of the Order, Orbit/FR, in coordination with the SCO, shall commence a thorough audit and assessment of Orbit/FR's and its affiliates' implementation of all measures set forth in the Consent Agreement and this Annex of Compliance Measures, with the primary focus on those undertaken to address the problems illustrated in the draft Charging Letter, the policies, procedures and training established for Orbit/FR, its subsidiaries, affiliates covered under Orbit/FR's restructured registration, and such other areas as may be identified by the SCO or the Director, DTCC. The draft audit plan shall be submitted to the Director, DTCC for his review, comment and approval prior to the start of the audit. No later than the second anniversary of the signing of the Order, Orbit/FR shall submit a written report containing audit findings and recommendations for improvements with respect to the aforesaid

measures and compliance with the Act and Regulations more generally to the Orbit/FR's President & CEO and legal counsel and to the Director DTCC. Recommended compliance program improvements identified in the report shall be incorporated in compliance policies, procedures and training applicable to Orbit/FR and its affiliates (see paragraph 5 of the Annex). Orbit-Alchut shall ensure that it and its non-Orbit/FR direct and indirect subsidiaries cooperate with the audit and implement recommended compliance program improvements.

Costs Counted Toward Penalty for Remedial Measures

(9) Orbit/FR's costs associated with increasing in-house export control personnel associated with additional export compliance enhancements, as required, including auditor(s) and attorney(s), Orbit/FR's export compliance manual, internal web site, and other export control compliance procedures and documents, as well as consultants and experts from outside Orbit/FR to support the above described activities may be counted toward the penalty imposed under paragraph 3(B) of the Consent Agreement. Such costs incurred by Orbit-Alchut and its non-Orbit/FR direct and indirect subsidiaries toward implementing the requirements of the Consent Agreement and the Annex Compliance Measures shall also count toward such penalty.

Certifications

(10) At the conclusion of the three (3) year term of this Consent Agreement, the President & CEO and SCO of Orbit/FR and the President & CEO of Orbit-Alchut shall each submit to the Director, DTCC a written certification that all aspects of the Consent Agreement have been implemented and that they have assessed its current compliance program and attest that it is adequate to prevent and identify violations of the AECA and the ITAR. Such certification shall specifically address compliance with paragraphs 3 and paragraph 10 of the Consent Agreement.